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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 002295

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E.O. 12958: DECL: 09/07/2017

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SUBJECT: TURKISH FOREIGN MINISTER BABACAN: BABY JOHN TAKES
A BIG STEP UP

REF: ANKARA 2234

Classified By: Ambassador Ross Wilson for reasons 1.4(b) and (d)

11. (C) SUMMARY: With President Gul's official acceptance of the new cabinet proposed by PM Erdogan on August 29, Ali Babacan succeeded Gul as Turkey's foreign minister. The youngest of Erdogan's 25 ministers, some Turkish journalists used to call him "Baby John" because of his youthful appearance. They don't anymore. As Minister of State for the Treasury, and later as Turkey's Chief Negotiator for its EU accession process, Babacan has proven to be a fast learner, an effective negotiator, and a serious player in the GOT's policy-making circle. Babacan's experience as a graduate student and business consultant in Chicago, his excellent English-language skills, and his pro-U.S. outlook bode well for closer USG-GOT engagement on foreign policy issues of mutual importance. With Abdullah Gul as President apparently bent on continuing to be a major foreign policy player, Babacan will have to work hard to make his foreign policy mark. Babacan's dual hatting as Turkey's Chief EU Negotiator may limit his focus on U.S. issues. END SUMMARY

WHY BABACAN?

12. (C) Ali Babacan's fast rise is in keeping with his trajectory since he graduated at the top of his class in 1985 from Ankara's premier English-language TED High School. He surpassed himself in 1989, graduating first among over 1700 students from Ankara's Middle East Technical University with a degree in industrial engineering. Babacan left Turkey the following year as a Fulbright Scholar, and used the scholarship to gain an MBA from Northwestern University's Kellogg School of Management. Thereafter, he gained business experience working as an associate at QRM Inc. in Chicago doing financial consulting to major banks and other financial institutions. He returned to Ankara in 1994, becoming chairman of his family's textile business and establishing Turkey's first wholesale mail order textiles business. That same year, Babacan was asked to serve as a chief advisor to

the Mayor of Ankara on financial matters, negotiating on behalf of the city with the World Bank, the Turkish Treasury, commercial banks, and credit rating agencies to secure financing for the city's priority development projects. He helped the city weather Turkey's economic crisis of the mid-1990s.

13. (C) Babacan, known to be somewhat religiously conservative in his personal life, became a founding member of the Justice and Development Party (AKP) in 2001. With AKP's electoral victory in November 2002, Babacan parlayed his smarts and business savvy into an appointment as AKP's State Minister for the Treasury. Babacan was able to convince Erdogan of the need for the GOT to tackle tough economic reforms, at times the lone cabinet voice making the case. Some believe he was the only minister who understood why Turkey had to implement the orthodox, pro-market policies designed by the previous government's economic guru Kemal Dervis. Babacan's oversight of tough fiscal, monetary, and financial sector reforms clearly played a key role in Turkey's economic success over the last five years. When Turkey's EU accession bid finally got off the ground in October 2005, PM Erdogan again turned to Babacan to lead Turkey's team as Chief Negotiator as well.

14. (C) By all accounts, Babacan has performed admirably in both jobs. He begins his tenure as FM with arguably more relevant foreign affairs background than did Gul. As head of the GOT economic team that has negotiated with the IMF in recent years, Babacan has established good relations with the international financial institutions and with finance ministry colleagues all over the world. He has acquaintances throughout at least EU member state foreign ministries. He

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has regularly accompanied PM Erdogan to meetings with foreign leaders (e.g. Davos), bringing to his new job extensive contacts with a wide array of international leaders.

15. (C) Ankara-based European diplomats who have worked more closely with Babacan in his role as EU negotiator echo the view that he is smart, a quick study and a hard worker. He is perhaps the most globalized of Turkey's senior leaders and understands foreigners' way of thinking. He knows how to say what global capital wants to hear and tends often to be in marketing mode. But they also characterize him as lacking, at times, a "human touch." They point, too, to Babacan's lack of an independent political base within AKP and his reputation for being a bit of a yes-man in his dealings with PM Erdogan and President Gul as potential stumbling blocks if he is truly to lead the way on foreign policy.

AND WHAT WILL HE DO AS FM?

16. (C) Babacan's Chicago experience provides him a measure of insight into the U.S. shared by few in AKP. He has demonstrated a fondness for Americans and, despite his overly full schedule, regularly made himself available to visiting USG officials, congressional delegations, and business delegations. Babacan can be expected to pursue his new duties with an eye toward consultation with the United States on issues of mutual importance, including Iraq/PKK, Iran, Afghanistan, the Middle East, and others. That does not mean he will see eye-to-eye with us on all issues. Some will recall that Babacan joined then-FM Yasar Yakis in negotiations in late 2002 and early 2003 with USG officials over a hoped-for invasion of Iraq from Turkey. Babacan pushed hard for an obscenely large economic assistance package (upwards of \$90 billion). He complained at the time that Turkey would only back war against Iraq as a last resort, and he reminded U.S. officials that Turkey had suffered huge economic losses during and after the first Gulf War which it did not want to repeat. His first experience at the White House -- where he overplayed his hand and was shown the door -- was also not a pleasant one, but he has learned

his lessons well.

¶17. (C) Babacan will also continue to serve as the GOT's Chief Negotiator for EU accession, focusing on what both Erdogan and the new President have declared as one of Turkey's foremost foreign policy priorities. He managed to wear two hats when he was State Minister; it is not clear whether his expanded responsibilities as Foreign Minister will allow him to maintain that balance. Although Gul's presidency is expected to be more active on foreign policy than that of his predecessor, it is not yet clear on which issues the new President may try to assume primacy. Given Gul's extensive foreign policy background, Babacan may have to rely on good relations with the new President and his own sway with the Prime Minister. He will have to work to carve out a good niche for himself.

¶18. (C) The measure of Ali Babacan will be taken by how effectively he establishes his authority over all aspects of Turkish foreign policy and emerges from Abdullah Gul's shadow. Either way, his elevation to the FM job further establishes him as a prominent figure in Turkish politics and grooms him as a potential political heir to PM Erdogan and President Gul. This is a make or break job for Babacan; whether he can continue his meteoric rise will depend upon how much more smart, creative, and tough he proves to be.

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